

to establish branches outside the state where it was established without special authority from the Ministry of Finance.

The notes of the Mexican banks are a first lien upon their assets, after claims of the government and certain obvious legal exemptions.<sup>1</sup> The assets of the banks are left in their own custody, but subject to certain requirements as to their character and as to reserves held. In the revision of 1897 Seiior Limantour definitely rejected the principle which had been adopted from the American law in the code of 1884, that the reserve of one-third against circulation might consist of money or securities. Conscious that the financial fate of the country should not be linked with its political disturbances, he said<sup>2</sup>:

What would be the influence of such a deposit [of securities] upon the credit of a bank in a case where, in consequence of the vicissitudes of policies domestic or foreign, the securities of the state should precipitately decline? Would it not enhance rather the intensity of the evil, by the fall in the value of the guarantee at the very moment when the general crisis paralyzed transactions, when cash disappeared, and payments were accomplished with difficulty?

Convinced of the soundness of this view, Senor Iymantour required the banks in the new law to maintain actual cash to the amount of fifty per cent.; but he went farther than to require it against circulation alone and required it against the aggregate of outstanding notes and of deposits payable on demand or within three days. The deposits as interpreted by Mexican law, did not, however, include the current accounts opened in favor of clients and carried to their credit. The issue of bank notes was permitted under these conditions to the amount of three times banking capital. If circulation should exceed this limit, the bank would first be warned to cease advances until the proper ratio of circulation should be restored, and if after forty-five days, at the maximum, conditions should continue contrary to law, the concession of the bank would be forfeited.<sup>3</sup>

<sup>1</sup> *The New Banking Law*, Art 25.

<sup>3</sup> Favre, 40.

<sup>2</sup> *The New Banking- Law*, 24.